

Center for Strategic and International Studies

TRANSCRIPT

Event

**“U.S.-Indo-Pacific Conference 2023”**

***Keynote Remarks by Senator Bill Hagerty (R-TN)***

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FEATURING

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Ambassador Ted Osius: And now it is my great pleasure to introduce a superb legislator and diplomat, our keynote speaker for this conference. United States Senator Bill Hagerty was elected to the U.S. Senate in 2020. He's currently serving his first term representing the state of Tennessee. His committee assignments include U.S. Senate Committee on Foreign Relations, Committee on Appropriations. And prior to his election to the U.S. Senate, Bill Hagerty served as the U.S. ambassador to Japan, the world's third-largest economy and America's closest ally in the region. His private sector career, focused on investment advisory services, placed him well when he tackled Tennessee's unemployment challenges.

Senator, it's a great honor to have you to launch our conference. Thank you so much for coming today. The floor is yours, sir. (Applause.)

Senator Bill Hagerty (R-TN): Ambassador Osius, thank you very much. And I also want to thank the organizers of the conference today, the U.S.-ASEAN Business Council, of course, and CSIS, for hosting us here today. Both great friends and playing a very important role in allowing us to discuss this critical region, not only for the United States but for the entire world.

I thought I might start out by giving you a bit of personal context, my ties to the region. I'm going to close with a personal note too, but to start I first moved to the region – the Indo-Pacific region – back in 1988. At that point in time, I worked for a U.S.-based management consultancy called the Boston Consulting Group. And they sent me to Tokyo, Japan in '88 for a three-year stint. And as I think about it, the founder of Boston Consulting Group, a man named Bruce Henderson, was a true visionary. And he decided to open up BCG's second office in the world in Tokyo, Japan, back in the 1960s, because he could see the promise of the region.

He could see how important it would be for the global economy. And Tokyo's was BCG's second office. In fact, BCG was the first firm, before McKinsey or anybody else, to open such a presence in Asia. And that vision, I think, has proven to be incredibly important, because the real potential of the Indo-Pacific region became obvious to me living and working in Tokyo during that period, assisting companies from around the world establishing a presence not only in Japan but, again, throughout that region. Its dynamism was obvious, even in the late 1980s and early 1990s. And as I look around this room today, to see this gathering and those of you online, it serves as a testament to the ever-deepening ties between the United States and all of the nations in the region.

If you go forward to the 21st century, the Indo-Pacific region has emerged as the epicenter of global opportunities. It's also the epicenter of global challenges. So this conference is truly timely and important to have today. If you think about it, the region represents half of the world's population, 60

percent of the world's GDP. It's no exaggeration to say that the Indo-Pacific region is going to continue to play a very central role in what happens, not only in the region, but in the entire world.

In addition to its clear global influence, the Indo-Pacific continues to be a major driver of advanced technology and economic progress. So today we're gathered here to discuss the role of the United States in the Indo-Pacific region and our relationships with ASEAN and Quad nations. More importantly, though, we're here to discuss what we can do together to chart a course toward a more prosperous and toward a more secure future.

America's economic involvement in the region forms the cornerstone of our engagement with the Indo-Pacific. As a lifelong businessman and a staunch advocate for fair and reciprocal trade, I firmly believe that the economic engagement is essential for fostering growth, for raising living standards, and for enhancing regional stability. And it's because of this that it's critically important for the United States, ASEAN countries, and Quad nations to deepen our economic integration, to encourage greater investment in ways that are mutually beneficial, that reward high standards, and promote free markets.

However, trade can't be viewed in isolation. Crucial supply chains and energy security are also interconnected aspects that underpin the stability and the resilience of our economies. Think about what happened during the COVID-19 pandemic, the instability that we are seeing in the Taiwan Strait, Russia's unjustified invasion of the Ukraine, and China's use of economic coercion. All of these starkly highlight the vulnerabilities and the risks that are associated with overreliance on single-source suppliers. These examples underscore just how critical it is that we diversify crucial supply chains, and we that we need to make certain that disruptions in one part of the world don't lead to widespread economic hardships elsewhere.

Similarly, energy security is a very pressing concern that demands our immediate attention. Many countries in the region, especially our friends in ASEAN, have growing populations who seek to have deeper trade and technological engagement. And practically all of the countries in the Indo-Pacific region face severe challenges when it comes to energy security.

That's why I've continued to strongly urge the Biden administration to work with Quad partners to create a new leader track working group on improving energy security for the region. Last year, Secretary of State Blinken agreed with me on the record that this would be a great idea. The Quad has roughly six leader track working groups and seven minister-level working groups on a variety of subjects, including critical and emerging technologies, infrastructure, vaccines, and space.

Now, given the significant disruptions to regional and global energy markets that we've seen in recent years, the Quad needs a working group dedicated to energy security, and the United States, with its cutting edge technologies and expertise in a diverse range of reliable and cost-effective energy sources, is very well-positioned to collaborate with ASEAN nations and our Quad partners to develop innovative solutions and to promote energy security.

More generally, American industry has a crucial role to play in enhancing many economic sectors in the Indo-Pacific region. We know that American companies possess the innovation, the technology, the entrepreneurial spirit necessary to drive economic growth and to create great employment opportunities. So by forging strong partnerships with the private sector, governments in the Indo-Pacific can leverage the expertise of American industry to foster investment and to encourage economic development.

To fully harness the potential of American industry in the region, we must ensure a conducive business environment that promotes fair and reciprocal trade, that protects intellectual property rights, and that guarantees a level playing field. By championing these principles, we not only nurture economic prosperity, but also foster trust and confidence among nations.

At the same time, the U.S. and ASEAN should continue to develop and refine a comprehensive framework for promoting peace, stability, and prosperity throughout the region. The United States is committed to deepening its engagement with ASEAN, recognizing the centrality of ASEAN in shaping the regional architecture.

We must not forget the ties that bind our relationships together, including stability, economic prosperity, and respect for the rule of law. By maintaining and advancing these ties, together we can address common challenges such as maritime security, counterterrorism, and cybersecurity, while upholding the principles of sovereignty, transparency, again, and the rule of law. We can promote better governance, empower civil society, and create an environment for all individuals to thrive.

But at the same time, we cannot ignore the threat of communist China. China under the Communist Chinese Party poses the greatest diplomatic, economic, technological, and military challenge in the 21<sup>st</sup> century. Each of our nations must engage with the questions that are raised by the China challenge. As China's increasing use of economic coercion grows, debt-trap diplomacy is being deployed, intellectual property theft continues, and other predatory practices all show the CCP's vision for the Indo-Pacific is antithetical to ours. It's neither free nor open. With that in mind, it's inarguable that our individual and collective responses to the China

challenges will play a pivotal role in whether the Indo-Pacific will remain free and open.

So, in conclusion, I want to bring our time together to a close on a little bit more personal note. During my time serving as the 30<sup>th</sup> ambassador to the United States – of the United States to Japan, I had the great privilege of working very closely with Prime Minister Shinzo Abe. In fact, I worked with Prime Minister Abe almost every day. We collaborated on a very wide range of issues related to diplomacy, trade, technology, and security in the Indo-Pacific region.

And as many of you know, Shinzo Abe was the visionary behind the concept of the free and open Indo-Pacific. This transformative concept was born from a speech that Shinzo Abe gave back in 2007 to the parliament in India. The speech was titled “The Confluence of the Two Seas.” It was that speech back in 2007 that Shinzo Abe gave that inspired the vision of a free and open Indo-Pacific.

In addition to sparking this vision, Abe-san was also the architect of the Quad strategic partnership. That’s the partnership between the United States, Japan, Australia, and India.

If he were alive today, I think Abe-san would be very gratified to see this distinguished group gathered to talk about the future of the Indo-Pacific region. He believed during his lifetime of leadership – and I think all of us believe the same here today – that the 21<sup>st</sup> century will be defined by our success in the Indo-Pacific region.

So I’d like to challenge all of us to carry his torch, to carry forward the vision of a free and open Indo-Pacific. We can do it together. Thank you all and may God bless. (Applause.)

Amb. Osius: Is this – is this working? OK.

Thank you, Senator. Thank you very much for words that were not only sensible, but inspiring. It’s been my experience – 30 years as a diplomat – that diplomats who listen are the ones who are able to make the greatest difference, and your story about Shinzo Abe suggests you were listening.

The other – the other thing that I find very inspiring about what you spoke about is when you – when we have the chance to make a difference, sometimes it involves taking risks. You took risks as ambassador. The risks you took led to a free trade agreement between the United States and Japan, our longtime ally in the Pacific, the – one of the reasons that we’ve been able to have a stable Pacific for as long as we have – Indo-Pacific for as long as we have. And it took risks. It took guts to be able to deepen that

relationship. And as ambassador, you did that, sir. So I want to thank you for your continued leadership.

You also gave a speech – I think it was last year – underscoring the bipartisan commitment to the Indo-Pacific. You asked the president to capitalize on opportunities. You did so again today in speaking about the significance of energy security. So if I could expand on that, we want to – if we want to confront – we want to preserve stability in the Pacific deal with the Chinese from a position of strength, how can this idea of strengthening energy security ties, strengthening collaboration with our partners in the Indo-Pacific help achieve those goals?

Sen. Hagerty: Ambassador, I think we all have the opportunity to enhance this. The deeper our economic ties become, the stronger our national security relationship will be. And energy security, in my view, is first and foremost of those important economic ties.

If you think about the technology, the significant capabilities that we have here in the United States on the entire range of energy possibilities – ranging from fossil fuels all the way to the most – the most advanced alternative energy solutions – it's happening right here in the United States. And if we can find ways to partner with our allies in the region, I think we can definitely deepen our ties. Look, to grow an economy you've got to have access to energy. Energy is an input factor to every manufacturing process. Every good that's produced has to be transported. People need lights in their homes. There's so many reasons that building on energy security can help build the economies in a way that can be very positive for all.

The other thing we have to acknowledge is the fact that China is there. And China is promoting their own version of debt trap diplomacy. They have been very aggressive in going in and offering extremely favorable terms for infrastructure projects that, frankly, are not up to international standards, that very often overload debt onto economies that cannot support it. And they turn out to be strategic assets for the CCP much more so than they are valuable economic assets for the nations that are involved.

As we deepen our diplomatic involvement – and, again, I've encouraged this and the Biden administration is stepping up and doing this – we need to continue this in administration after administration, to deepen our diplomatic involvement, deepen our economic involvement, and use tools where we have a real advantage, like energy security, at the forefront to make that involvement meaningful.

Amb. Osius: Thank you, Senator. You also mentioned in your remarks the significance of ASEAN centrality. So even as you propose this idea for the Quad, it seems that the issues of energy security are tremendously important for the

nations of ASEAN as well. And just as an aside, collectively ASEAN is the third-largest economy in the Indo-Pacific, the fifth-largest in the world. United States companies invest more in ASEAN than in China, India, Japan, and Korea combined. The combined GDP of the ASEAN nations is 3.2 trillion (dollars). And it's a center of global growth. But it won't remain so if these energy security problems aren't addressed. Are there thoughts that you might have on how to enhance energy security for ASEAN nations as well?

Sen. Hagerty: It's going to have to be led with investment. When I served as U.S. ambassador to Japan, I signed on behalf of the United States an agreement with Japan and Australia to put in place what has now become known as the blue dot network. It's an alternative to China's Belt and Road Initiative. It's an opportunity for us to put real capital expertise – capital deployment expertise to bear. But we also need to bring private sector industry into the fold. I think we can emphasize the progress that's already been made there, build upon that.

Also, again, having – you know, having working level tracks that are devoted to finding economic security partnership opportunities, as I mentioned in my remarks earlier. Again, Secretary of State Blinken I think agrees with this in concept. We need to forward on this and make this – and highlight energy security as a top priority. It's one that, I assure you, will be well-received by partner nations in the Indo-Pacific, because as I talk to their leaders it always comes up as a top issue. So I think we have real potential there to seize the opportunity.

From a diplomatic standpoint, the opportunity is obvious. From an economic standpoint, we already have pieces in place, Ted, that I think we can build upon. And, again, as private sector investors, as private sector companies see us working together, I think they will be in a good position to join us in the opportunity and deliver real heft to the energy security in the region.

Amb. Osius: I can tell you, sir, that's true of our members. We have 180 member companies, worth collectively \$7 trillion. There's tremendous interest in the energy sector. There's tremendous interest in the transition to cleaner forms of energy, and what opportunities, what commercial opportunities, arise as a result of that transition in ASEAN and beyond. Senator, could you talk with us about any specific legislative measures that you've supported that involve ASEAN?

Sen. Hagerty: If I could go back to the previous point for just one moment. As the U.S. companies look at the opportunities in the region, one thing that I hope we don't do is become too theological, if you will, about our approach. I know there's a great interest in moving to alternative forms of energy but I think

we have to listen, as you sort of started at the very beginning as good diplomats should do, to what the actual needs are on the ground and what the right economic opportunities are in the near term and the medium term to get there. And what I see too often is an aspirational view toward an alternative energy endpoint that misses the middle, and if we do that we're not going to offer a solution that will work tomorrow and the next day.

So I want to be realistic about this and in doing so let's not cast away fossil fuels. Let's find ways to deploy that as a component of an all-of-the-above strategy.

Amb. Osius: So that would include LNG –

Sen.  
Hagerty: Absolutely.

Amb. Osius: – for the nations of ASEAN and the nations of Northeast Asia?

Sen.  
Hagerty: Absolutely it would. I take Japan as a great example. They are, as you know and Prime Minister Abe reminded me on multiple occasions, Japan fought a world war over access to energy, and you have a country like Japan that really has no indigenous supply other than nuclear. After Fukushima that became very, very challenging.

Now Japan is rapidly building up its nuclear energy capacity today but they are very aggressively utilizing LNG. It's much cleaner than other forms of energy, other forms of fossil fuel, and, frankly, if you look at the progress that we've made here in America natural gas has been a huge component of our massive reduction in emissions.

So that's got to be a key part of the solution, not only in Japan, as the example I cited, but throughout the region. I think it's got huge potential.

In fact, Japan wanted to become – and putting in place the infrastructure to become an onward transit point for U.S. LNG into the region.

Amb. Osius: There are many, many who would make the argument that the transition to cleaner fuels isn't possible without – especially in Asia without gas being part of the mix. And I see my friend, Henry Howard, and Hank Hendrickson here, making me think about the Philippines. When President Marcos was here he announced the purchase of a small nuclear reactor, a small safe – the kind of reactors that are used on nuclear submarines and been used for many decades.

So you're talking about a very complex energy mix, not a simple transition to renewables alone?



Sen. Hagerty: If we could stay on this for just a moment longer I'd like to bring in a very parochial perspective because I'm from Tennessee, and Tennessee is the home of both Oak Ridge National Laboratory and the Tennessee Valley Authority, which is the largest utility in the nation.

We have very forward-thinking people in our state about small modular reactors. The expertise on nuclear is outstanding there, and we have a great energy to see just the type of activity that you're describing throughout the country. We've got to make it happen here first and we're working on that right now in Tennessee. Clinch River is the site where we'll have a small modular reactor. It's in progress right now. There's one being built in Canada.

But I think that, again, the United States, from a technology standpoint, could be a real leader here, and finding partners, whether it be in the Philippines or other parts of the world, is going to be vitally important and I think we need to really build upon and leverage that technological advantage. And, as you say, Ted, we've had great and long experience of safely working with nuclear. This can be done.

Amb. Osius: There's also interest, of course, in green hydrogen but it seems that that's a little further away and the – these nuclear technologies are ready and available now and safe.

Sen. Hagerty: Yes. Yes. Absolutely.

Amb. Osius: Thank you. Role of Congress – there have been a number of legislative – there's been legislation passed to recognize the importance of ASEAN and ASEAN centrality. What's your view on what's happening in Congress?

Sen. Hagerty: I think there is bipartisan support. You'll hear from Tammy Duckworth tomorrow. She and I both serve on the Foreign Relations Committee together. There is great bipartisan support for an ever increasing presence of the United States in the ASEAN region.

There's a real advocacy for our greater economic – deepening our economic ties, greater economic involvement, and, frankly, as we look at the activities of the Quad nations and the security exercises that are underway there the Quad exercises are very welcoming and open to more participation, and I think we will continue to see that role advanced. It's going to be supported in the Congress.

Another area that I think has real potential – and you and I have talked about this, Ambassador – is taking the trade agreement that was struck

back in the previous administration between the United States and Japan and using a component of that, which is the digital trade component, as an example, and as you described earlier a piece of low-hanging fruit, something that we could really deploy in terms of digital trade that would be very advantageous not just to the United States but for all of our partner nations. It would hold – it would hold us all to high standards. I think that would send an important message to the predatory practices of the Chinese Communist Party in the region. But it also would open, I think, great new opportunities for many small- and medium-sized enterprises that could leverage this.

Amb. Osius: A lot of our member companies would agree with you, Senator. I personally do. I think that that's – that would be a way to make especially the first pillar as ambitious as it should be, the first pillar of IPEF.

Let me come back to something that you just said about the Quad and its importance. As I understand it, when you – when you discuss the Quad, you don't – you're not looking at it as a kind of exclusive club but as, rather, an inclusive structure where members of ASEAN are encouraged to participate in activities. So is that a way of not only boosting our relationship with our Quad – can we use the Quad to not only boost our relationship with the members of the Quad, but with ASEAN as well?

Sen. Hagerty: I think absolutely we can and should.

I also go back to my conversations with Prime Minister Abe. He envisioned the Quad as a way to get the major powers engaged. And frankly, the personal relationships that he developed – I was with him and Prime Minister Modi on multiple occasions. He built very strong personal relationships with those leaders. But he never and I never saw the conversation in any way be a limiting conversation; it was more as a foundation that could be added upon.

So I think that – you know, back to my final challenge – we can continue to build on this vision of the Quad by having more and more engagement throughout the region, and ASEAN would absolutely fit with that.

Amb. Osius: When I was ambassador to Vietnam, the ambassador to India described the relationship between those two nations as clear skies, no clouds, and I think that can be said about India's relationship with many of the ASEAN nations. And of course, Japan and Australia have very strong relations with ASEAN. So it's been an inclusive club. That sounds better to me. Works on ASEAN.

What else can we do to strengthen economic relationships in the region? I think this energy idea is very powerful. What else can we do? And can you give us advice?

Sen. Hagerty: You know, the IPEF is a start. I think many of us are frustrated that market access is not a component of the IPEF discussions. That would, obviously, deepen the economic credibility of the discussions. But I think that we're still moving – we're taking steps in the right direction with the IPEF conversations.

We should continue, though, to leverage the tools that we've got. I'll go back to the Blue Dot Network that was established. Using our Development Finance Corporation, giving it the flexibility – and I'm going to be seeing the head of the Development Finance Corporation later today in a hearing to talk about this – the flexibility that they need to perform in a more strategic manner. And you know, I think right now we have limitations on what our development finance dollars can do based on the GDP per capita of a country or that type of thing. We should be thinking about the strategic importance of the nations that we would partner with and the role that they could play more broadly in the security of a region like ASEAN, et cetera. So I think we need to look carefully at the tools that we have today to see if they can be modernized and utilized in a manner that will deepen our economic opportunities.

Also, we need to be listening, as you – as you started us talking about this morning, listening to American companies that would like to be active in that region and understand what they need today – not what they needed when legislation was enacted years ago, but what the – what the current needs are and how our institutions can be most responsive to those needs.

Amb. Osius: When you speak to the head of the DFC, of course, they're involved in JET-P programs both for Indonesia and for Vietnam. For Indonesia, I think it's over 20 billion has been promised but Indonesia's kind of waiting to see: Well, how is it going to be delivered? What will this mean for us? Our companies would also like to know: Where are the resources for this JET-P promise? And DFC, I think, is key both for Indonesia and for Vietnam. So any light that you can shed in that conversation we would be – we would be fascinated. Our companies would be really interested.

Sen. Hagerty: I understand the concern and we'll deliver the message. I think that we have to realize that Development Finance Corporation and all of these entities don't operate in a vacuum; they actually operate in a competitive environment. And you've got the – you know, the Chinese Communist Party on the other side of the table that has a very different set of requirements, a different set of norms that they deploy. And we need not hamstring

ourselves in deploying our own capital with a bunch of, you know, gates and hard-to-clear hurdles.

We need to look at the goal and stay focused on the goal. And I don't mean to in any way suggest that we shouldn't be responsible and careful as we deploy our dollars but, again, overly complicating the situation because we have multiple policy objectives that we're trying to accomplish I think puts us at a competitive disadvantage. So we need to be cognizant of that.

Amb. Osius: Wise words. I think there's great interest on the part of companies, but confusion about what it is that – where the funds are going to come from and exactly what we intend to accomplish with those funds. When it comes to overall priorities that the Senate has in advancing relations with the Indo-Pacific, are there steps that they United States could take that would – that would keep our ASEAN friends and allies front and center?

Sen. Hagerty: Absolutely there are. And it's going to happen on multiple dimensions, Ambassador. First and foremost, and we do this every year, we have the National Defense Authorization bill that comes through. And there's a real focus right now on our resourcing of our military presence in the region. I have a, you know, very parochial view of that because if you look at Japan, where I served as ambassador and where I lived in the past, Japan is the home to more U.S. military than any place else in the world. On any given day, we have between 50,000 and 60,000 active-duty military stationed right there in Japan. So it is a critical component of our overall global defense strategy. And it's one where we're being challenged every day.

If you look at what China is doing in the South China Sea, you've dealt with this yourself, the predatory posture that China has adopted, whether it be building artificial islands, coming up with these very bogus territorial claims, their ever-present threats, if you look at what they've tried to do in the Philippines, what they're doing in the Taiwan Strait. China has been a predator at every turn. And we have to be properly resourced to address that. And we need to be operating with our allies and partners to maintain the free and open nature of that region. And we will continue to sail, fly, and operate throughout the region. And we need to be doing that with our partners.

Now, the ASEAN countries that are our friends I think should become, you know, increasingly engaged, hosting us, having us pay visits, if you will, in ways that matter. We also need to be, again, looking for ways to deepen our diplomatic engagement. We're doing that. We need to be adding to our diplomatic presence. And I think that that is underway and it's one that will continue. I'm going to be supportive of that. I feel certain that Senator Duckworth will tell you the same thing tomorrow when she's here with you. And then, again, the most important aspect of all of it is creating an

environment where we can have greater economic engagement. And that, in my view, is going to be the glue that brings it all together.

Amb. Osius: (Laughs.) I couldn't agree more. I think that as we – you know, we look at the security challenges, which are top of mind for many ASEAN nations, we have – we've established some patterns of collaboration and cooperation which are very valuable. But where it sometimes looks to me like we're not doing enough is on economic engagement. And that we don't – our economic engagement strategy, such as it is, isn't as strong as our security strategy. And that's been the kind of common criticism I hear when I go out into the region.

Sen. Hagerty: You and I were talking about this earlier, but for businesses to be comfortable making capital investment, they have to have certainty. And when we don't have certainty, it makes it very difficult to see the type of capital investment that's possible. But if you step back and say, what's our competitive advantage as a nation? What's the United States' competitive advantage? It's the fact that we have the strongest economy in the world. We have a technological engine. We have an economic engine here that is a huge source of strength.

And if we can create a set of rules for the road in the ASEAN region – and IPEF, again, can be part of this. But, again, I think it should be built upon – I think we both wish that there was more there. But continue to build upon that to create more certainty for the private sector so that their engagement will be – I think that will encourage greater economic engagement. But that's what's going to be absolutely critical, is setting the rules of the road. The rule of law is absolutely critical to any investment decision, and making certain that we have a – again, a set of road markers, if you will, that make it clear that that sort of investment is going to be encouraged, and respected, and remain safe. That will work.

Amb. Osius: That kind of sets the tone for the rest of our discussion for the – (laughs) – the next two days when it – when it comes to IPEF.

Do we have time for a couple of questions from the audience? Is that – is that OK with you, sir?

Sen. Hagerty: Sure. Sure.

Amb. Osius: Yeah. Please. And there's a microphone right next to you.

Q: Thank you very much, Senator. My name is Xavier. I am reporter for the South China Morning Post.

I have a question about this economic engagement that you were just saying. Lowy Institute from Australia released a report last week showing that China is by far ASEAN's largest bilateral lender, responsible for \$37.9 billion or 19 percent of all development financial flows in the region between 2015 and 2021. The U.S., by comparison, is responsible for just 4 percent, or \$7.85 billion.

You mentioned China's push to finance infrastructure projects which you say that do not meet international standards. And I was wondering, in your opinion, do you think U.S. partners in the region underestimated that risk? And what can the U.S. do to become an alternative for infrastructure across the Indo-Pacific region? Thank you.

Sen.  
Hagerty:

I think he has defined the opportunity. (Laughter.)

You highlight the fact that China has been extraordinary aggressive in terms of deploying capital, funding infrastructure projects, and being very economically active in the region. They play by a completely different set of rules.

I had a group in my office – they'll go unnamed; they were in my office yesterday – talking about the means that China used to obtain a certain project in the region. It involved bribery – in no way a set of rules that we would play by. But what – the result of this project is going to be is a country taking on a project and a debt load that's greater than its entire GDP – it's annual GDP. They will never be able to afford to repay it.

So we know how this progresses, right? They overload a nation with debt, they foreclose, and suddenly China controls the project. And you look at Sri Lanka – that's a great example. A second deep-water port was built there outside of Colombo. That port – market demand did not support it. They foreclosed on it. The Chinese workers that went there to build it never left; they operate it under Chinese law. It's along one of the busiest ceilings in the world – a very strategic location – and this is a great advertisement to the rest of the world why you should not do business with the CCP.

So you mentioned the depth of their activity, but as that advances, and as the rest of the region sees what happens as these projects mature and as China takes control of them – and now China translates these projects from economic opportunities to strategic assets for the CCP – I think we need to take advantage of that advertisement, if you will, and step up.

And again, that's what we're talking about right here is finding the opportunities to step up. It doesn't require the U.S. to provide government capital; we can provide a set of rules of the road that delivers the certainty that allows private sector capital to come in because I think we all support

and favor market-based solutions to these types of challenges, and I know that American capital can win in that type of environment. We just have to create the rule set and the opportunity for it to happen.

Amb. Osius: We've got a question online from Zach Sung, Global Observer from the Philippines: What will it take for Congress to approve a potential U.S.-ASEAN FTA? What can be done to satisfy both American voters, who are hostile to it, and Southeast Asian political and business leaders who need it to demonstrate American commitment to them? What's the price of this deal? (Laughter.)

Sen. Hagerty: That's a pretty fulsome question. (Laughter.) For it to get to Congress, it needs to be – the administration has to be willing to engage and navigate this. The current administration has been very resistant to engage in free trade discussions. It's hard to do. The U.S.-Japan Free Trade Agreement that I was deeply involved in was a new free trade agreement; the other free trade agreements in the previous administration were modifications to existing agreements. It is very difficult to do these and, you know, we need to get fast-track authority from the Congress. There are a number of procedural mechanisms that have to be put in place. It's complicated, but the executive branch needs to have the will to pursue it.

And today I can't tell you that that will exists. I think that there are people within the administration that definitely want to see us deepen economic ties, but to go all the way to the point of a free trade agreement, I think it's going to be challenging in the next 18 months.

Let's look beyond that, though. I think the potential does exist. And if you have voices like my own, like Senator Duckworth's, and others continuing to articulate the strategic imperative of deepening our economic ties, I think we can get to a point that Zach is – that Zach is trying to push us toward. But I don't think it's going to happen in the – in the immediate or the very near term. I think it's going to be a longer-term prospect. I think the voices of everybody here in this room, everybody that are online, can help in that. Because this is as much a strategic imperative as it is an economic imperative. And we need to think about it in both lines.

Amb. Osius: Thank you, Senator. I think we have time for one more, because I'm getting the kinds of signals that we're running out. But, please, as a – yep.

Q: Good morning. Thank you. Paul Rigger from GDIT.

Really a question centered on the relationship between business and national security and regional security with the ASEAN nations. You had mentioned the relationship. You need the security for the investment, and you need the investment to bring the security. Right now, the United States

has five bilateral agreements – defense agreements in the region. And the Quad is more of a business relationship. Do you see ASEAN and the United States leaning towards something, more like a SEATO to counter what we see by PRC's hegemony in the region? Over.

Sen.  
Hagerty:

I would say the United States is open to any type of arrangement or agreement that would deepen our strategic relationships. You've got to look at the military assets that are available and active in the region there. We just need to be finding ways to engage. Our military-to-military engagement is strong everywhere I go. And I'm not talking about just ASEAN. You go to Latin America. You go – anywhere you go, I think our military does a great job. We need to be looking at ways to deepen that. And I think we're open to an all-of-the-above.

I would like to – and I'm getting the signal we're almost finished here – but I would like to highlight one point when you talk about military assets and economic opportunity combined. And that's an example, and you may remember this taking place, Ted. This is when I was serving as U.S. ambassador to Japan. It has to do with Subic Bay in the Philippines. And I lived in the region when we lost Subic Bay. It's remained a pain for me for many, many years.

I'm literally reading in the Nikkei Asia that the ship repair facility there at Subic Bay, run by a South Korean company, is in bankruptcy. And the two bidders were Chinese-named companies. A little research proved that those were CCP PLA-related companies that were bidding on this project. A few phone calls. My first phone call was to the Secretary of the Navy Richard Spencer. I said: Richard, do you want to be the secretary of the Navy that got Subic Bay back, or do you want to be the one who let it go to the Chinese? He said: What do we need to do?

The next call I made was to former Vice President Dan Quayle, who's affiliated with Cerberus Capital. Long story short, Cerberus stepped up and, with a consortium of Japanese – and I went to friends and partners in Japan – we bought Subic Bay back. Our private sector stepped up and helped us secure what will be a very strategic asset, and one that could have been very detrimental, frankly, to our posture in the region had the CCP taken control of that.

That's agility. We need our diplomats to be agile in that matter. But we also have a real tool in the private sector. And we need to be looking for opportunities in that regard for private sector alliances that can help us not only economically but also from a strategic and a military standpoint too. So I just want to add that. I know we always think about, you know, formal agreements and those types of arrangements, but there are opportunities



as well to do what we did in Subic that I think can make a real difference for our national security, as well as our economic security.

Q: Thank you.

Sen.  
Hagerty: Thanks.

Q: Great move on the Ouija board there. (Laughter.)

Amb. Osius: Senator, your time is precious. I want, on behalf of all of us, to thank you for spending time with us this morning, for sharing your insights, for drawing on your experiences as ambassador as well as senator to address the challenges of the Indo-Pacific. We're glad that you are where you are, pushing people in sensible directions. And anything that we can do to help, please let us know. And thank you. Thank you so much.

Sen.  
Hagerty: Thank you, Ambassador. And thanks to all of you. I appreciate the opportunity.

Amb. Osius: Thanks. (Applause.)

(END)